

# Charitable Gift Annuity - FAQs

## 1. What is a Gift Annuity?

It is a Gifting Agreement which combines an annual income for as long as you live and a gift at the time of your death, to a charity or charities of your choice.

## 2. Can the annuity be arranged for both of us?

Yes. A *Single Life Annuity* – pays income for the duration of the life of a specific person.

A *Joint Life Annuity* – pays income for two named persons and after the first death continues payments at the same agreed level to the surviving person for life.

## 3. What income level and rate of return will I receive?

The income and rate of return on your annuity depends upon your age when you take out your Annuity. You can obtain a quote by calling our office or speaking to your area Christian Stewardship Services Representative. All annuitants qualify for an up-front tax receipt for a portion of their Annuity, and a large portion of the annuity income payments will also be tax-free.

## 4. Who issues and administers the annuity?

Christian Stewardship Services handles both the administration of payments and investment of the funds to support the annuity payments and the charitable remainder. The funds are invested in very safe Provincial Government long-term bonds that provide a stable return. The investments are governed by a conservative investment policy which is monitored by a committee and reviewed at least every three years by an actuary.

## 5. Would my payment vary over time?

No, your payment is fixed for life, this is established at the time the agreement is entered into, as is the tax exempt portion of each payment.

## 6. Does charity receive the full amount of my annuity as a gift when I die?

No, part of the annuity principal is paid to you as income during your lifetime, so the portion left as a gift will depend on investment return and how long payments are paid to you.

## 7. Does the rate of return get higher as I get older?

No. The rate of return and tax-exemption is fixed when you start the Annuity, but as you get older, you could receive a higher rate on any new Annuity you may take out.

# Charitable Gift Annuity FAQs *...continued*

## **8. Do Annuities result in a tax receipt?**

The amount of the receipt and the level of taxation of the income are determined by the rules set out by the Canada Revenue Agency (CRA) (formerly called Revenue Canada). The calculation is done using appropriate life expectancy tables, and the amount expected to be paid out on the agreement. All Annuitants will receive an up front charitable donation receipt for at least 20% of the amount donated. In most cases only a small portion of the income will be taxable.

## **9. Who are Charitable Gift Annuities best suited for?**

Annuities are most suitable for persons aged 60 or older. Couples, one of whom is 60 or older and the other who is 55 or older, may purchase a joint annuity. A joint annuity will continue to pay either you or your spouse (or sibling) for as long as they live.

## **10. Is a Gift Annuity a Safe Investment?**

Yes. The annuity funds are placed in a pooled fund. You will continue to receive payments even if you outlive the life expectancy tables. If you have a joint annuity, the payments would, at the time of your death, switch to the other annuitant until that person's death, but end at that time. The Pooled Funds are invested and a surplus or "Annuity Reserve" is kept. Every three years, a full independent actuarial valuation is done.

## **11. Can I change my mind about which charities are to receive my gift?**

Yes you can, depending on how you designate the charities. There are two ways to do this:

- > If the charities are named in the document, the designation is irrevocable.
- > If you name CSS as the designated charity you can provide a "Letter of Direction" instructing us of your wishes about who the final charitable beneficiaries are to be. This second method would allow changes by providing a new Letter of Direction.

## **12. Will a Gift Annuity affect my estate?**

No. It is entirely outside your estate, thus it passes much more quickly to your designated recipient, and it is not subject to any income tax or probate fees. The funds are not held up till the estate is settled.

**A Charitable Gift Annuity** is a wonderful planned giving tool to create a legacy for charity that also provides you with a guaranteed income for life! You will:

- > Receive a blend of capital and interest so a high return is achieved
- > Receive a large part of your payments tax-free
- > Choose the designated charity to receive your gift
- > Know that your capital is invested ethically and responsibly

